

Sberbank releases Financial Highlights for 1M 2016 (under RAS; non-consolidated)

Please note that the numbers are calculated in accordance with Sberbank`s internal methodology. Also note that the effect of subsequent events is excluded from the numbers as of January 1, 2016.

February 5, 2016

Key highlights for January, 2016:

- Interest income increased by 1.7 times y-o-y to RUB84 bn that was the main contributor for the decent financial result.
- Fee and commission income growth from transactional business with bank cards and acquiring remained strong. Net fee and commission income was up by 32.4%.
- Corporate loan portfolio growth exceeded RUB600 bn for the month.
- Net profit in January came at RUB28.3 bn.

Deputy Chairman of Sberbank Alexander Morozov stated:

We managed to disclose a decent financial result while operating on volatile markets. It has demonstrated our ability to generate capital organically, and will allow us to mitigate the impact from negative factors on capital adequacy ratios.

Analysis of the Statement of Financial Position and Statement of Profit or Loss for 1M 2016, as compared to 1M 2015:

- Interest income increased by 3.0% y-o-y, interest expenses decreased by 24.7% y-o-y. Net interest income increased by 67.0% y-o-y
- Net fee and commission income increased by 32.4% y-o-y
- Operating income before total provisions decreased by 33.3% y-o-y
- Total provision charge was RUB61.6 bn vs. RUB54.9 bn charge for 1M 2015
- Operating expenses increased by 4.3% y-o-y
- Net profit before income tax reached RUB31.5 bn vs. RUB9.9 bn for 1M 2015
- Net profit totaled RUB28.3 bn vs. RUB3.7 bn

Comments:

Net interest income came at RUB84.0 bn in January, +67% compared to the last year.

- Interest income increased by 3.0%, driven by the increase in volumes of working assets.
- Interest expenses decreased by 24.7%, due to the reduction of state funding volumes and decrease in market rates.

Net fee and commission income was up by 32.4% to RUB22.9 bn, mainly driven by transactional business with bank cards and acquiring, cash settlements as well as bank insurance (commissions from which were strong, compared to weak results a year ago given the reduced demand for lending in January 2015). Subject to the CBR Regulation N446-P from 22/12/2014, credit commissions are reflected in the Interest income line starting from January 1, 2016; the figure for 2015 is restated under the new methodology.

Net income from FX revaluation and trading operations on capital markets amounted to RUB11.5 bn compared to RUB23.1 bn for 1M 2015, where the income was mostly due to the fx revaluation of the Balance sheet items.

Operating expenses increased by 4.3%.

Total provision charges amounted to RUB61.6 bn vs. RUB54.9 bn for 1M 2015. In January 2016 the amount of provision charge was mostly driven by ruble devaluation that required to form additional reserves for FX

loans, as well as the loan portfolio growth. The Bank continues to form loan-loss provisions in-line with the requirements of the Central Bank of Russia. Loan-loss provisions are 1.9 times the overdue loans.

Net profit before income tax came at RUB31.5 bn vs. RUB9.9 bn for 1M 2015. Net profit totaled RUB28.3 bn vs. RUB3.7 bn.

Assets in January 2016 remained unchanged and exceed RUB23 trln. Growth of corporate loan portfolio was accompanied by the decrease of loans to banks, accounts in settlement, as well as cash reserves that were kept in excess during the holidays. The revaluation of the FX component due to ruble weakening also made a contribution to the Balance Sheet items.

The Bank lent about RUB850 bn to **corporate clients** in January. The loan portfolio ending balance increased by RUB604 bln, or by 4.9%, in January. Total corporate loan portfolio reached RUB12.9 trln as of February 1, 2016.

The Bank lent about RUB80 bn to **retail clients** in January. Total retail loan portfolio decreased by RUB5 bn, or 0.1%, in January was RUB4.1 trln as of February 1, 2016.

Overdue loans of total loans remained at 3.3% in January. The level of overdue loans at Sberbank remains substantially lower than the level of the banking sector's average (6.5% as of January 1, 2016).

Securities portfolio was up by RUB56 bn in January, or by 2.4%. The portfolio ending balance was RUB2.3 trln as of February 1, 2016.

Retail deposits and accounts decreased by RUB317 bn in January, or by 2.9% to reach RUB10.5 trln. The entire outflow of funds was from the banking cards accounts during the holiday period, which is typical for the beginning of the year.

Corporate funding increased by RUB171 bn in January, or by 2.5%, to exceed RUB6.9 trln.

Core Tier 1 and Tier 1 capital (equal since Sberbank does not have instruments of additional capital) reached RUB1.749 trln as of February 1, 2016 under preliminary calculations. Total capital amounted to RUB2.693 trln on the same date, primarily due to net profit.

Risk-weighted assets increased by RUB1.440 bn, which created pressure on capital adequacy ratios. The growth of RWA was primarily attributed to the termination of the forbearance exchange rate that was set by the Central Bank as a measure in capital ratio calculations.

Capital adequacy ratios under preliminary calculations as of February 1, 2016 were:

- N1.1 – 7.3% (minimum adequacy level, required by the Central Bank of Russia at 4.5%)
- N1.2 – 7.3% (minimum adequacy level, required by the Central Bank of Russia at 5.5%)
- N1.0 – 11.2% (minimum adequacy level, required by the Central Bank of Russia at 8.0%, considering Deposit Insurance Regulation).

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